

MARKETBEAT

Palm Beach County

Industrial Q2 2019



PALM BEACH INDUSTRIAL

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Palm Beach Employment	631k	645k	▲
Palm Beach Unemployment	3.3%	3.1%	▼
U.S. Unemployment	3.9%	3.6%	▼

* Numbers above are monthly figures, May 2019, FL Dept. Economic OPP.

Market Indicators (Overall, All Property Types)

	Q2 18	Q2 19	12-Month Forecast
Vacancy	3.1%	3.4%	▲
YTD Net Absorption (sf)	119k	-132k	▲
Under Construction (sf)	202k	510k	▲
Average Asking Rent*	\$10.01	\$10.27	▲

*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The unemployment rate in Palm Beach County was 3.1% in May 2019, down 20 basis-points (bps) year-over-year (YOY) on 14,800 new jobs added. The 2.3% growth rate in new jobs was driven by expansion in several industrial-using sectors, including Manufacturing and Construction. Combined, both sectors added 2,800 new positions YOY and contributed to improvement in the industrial market's fundamentals.

Market Supply

The overall vacancy rate for industrial space was up 30 bps to 3.4% at the end of the quarter on only 1.4 million square feet (msf) of vacant space in the market. The most sizeable YOY gains in occupancy were in the West Palm Beach submarket, Palm Beach's largest industrial submarket, where over 100,000 square feet (sf) was taken off the market, leaving only 400,000 sf available. Due to tight market conditions, any changes in available space led to significant swings, both positive and negative, in vacancy rates in several submarkets. Overall vacancy for warehouse/distribution space rose 70 bps YOY to 3.6%. Tenants vacated space predominantly in Boynton Beach which saw a 370 bps increase in vacancy. Outside of projects under construction, there was limited blocks of vacant available space larger than 50,000 sf in the County.

There was more than half a million square feet of speculative warehouse/distribution space under construction at the midyear point with no preleasing in place. The level of construction activity throughout Palm Beach County was double the amount from this time in 2018. Palm Beach County was traditionally a smaller industrial tenant market where the most sought-after spaces were under 15,000 sf. However, most new projects being built were geared towards larger tenants and part of multi-phase developments with deliveries spread out over a period of quarters or years. Notable projects underway included TPA Group's 220,000 sf big box at Palm Beach Park of Commerce and the fully leased two buildings at Turnpike Crossings totaling 258,000 sf by Duke Realty Corporation. Both developers were major institutional players in Palm Beach's industrial market.

Market Pricing

Overall asking rates for all industrial assets in Palm Beach County were up 2.5% YOY to \$10.26 per square foot (psf) triple net (NNN). For warehouse/distribution space the increase was 6.2% YOY to \$9.23 psf. The lack of available space in Palm Beach County provided landlords with confidence in tenant demand and helped push rents higher. Larger submarkets added the most upward pressure on rental rates in 2019 where there was more opportunity for new construction. In the second quarter, Riviera Beach, a top industrial submarket, led the County in rent growth YOY, up 9.2% on the strength of warehouse/distribution assets.

Investment sales volume in Palm Beach County, for all industrial asset classes, was almost double the level at this point in 2018. All indications pointed to a vast amount of investor appetite for industrial product in South Florida. In the first six months of the year, 1.5 msf was traded with 78% for warehouse/distribution space. Two-thirds of all transactions were in the West Palm Beach submarket, were both manufacturing and warehouse/distribution assets sold.

Warehouse/distribution asking rates in Palm Beach County were up 6.2% YOY to \$9.23 psf, NNN.

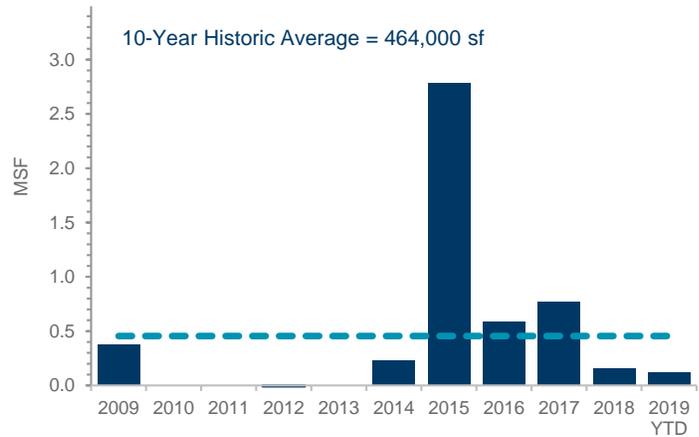
Market Demand

Leasing activity was in line with the level of leasing at this point last year. The majority of leasing activity took place in the Riviera Beach and West Palm Beach submarkets, which together accounted for 50% of all activity. Tenants from ecommerce, logistics and in the housing construction industries were responsible for the largest portion of leases signed so far in 2019. As a smaller industrial market, the average size of deals in 2019 was only 7,300 sf. Boca Raton had the greatest increase in leasing activity YOY, up by 149% from this time in 2018. The strong pipeline of leases signed in the first half of the year and current tenant touring activity in the market indicated continued positive activity and absorption through the end of the year. Tenant confidence in Palm Beach County's market fundamentals, including further population and positive job growth forecasts, will provide long-term confidence in the area's industrial market.

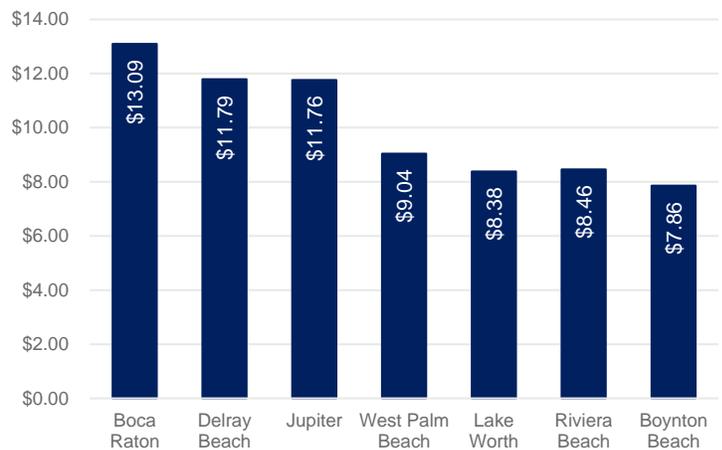
Outlook

- Overall rent growth for the back half of 2019 will remain positive on new construction deliveries and high occupancies.
- Tenant interest from expanding ecommerce, logistics and building supply companies will drive growth in new construction.
- New construction aligned with tenant demand in the first half of the year and has kept the vacancy rate under 4.0% since the end of 2016.

New Supply (msf)

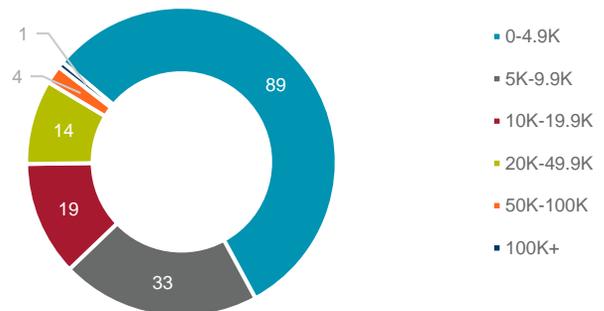


Warehouse/Distribution Asking Rents by Submarket (NNN)



Availability by Size Segment

OVERALL VACANCIES IN ONE SUITE



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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	INVESTOR SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTRUCTION COMPLETIONS (SF)	YTD OVERALL WEIGHTED AVG. NET RENT (MF)*	OVERALL WEIGHTED AVG. NET RENT (OS)*	OVERALL WEIGHTED AVG. NET RENT (W/D)*
Boca Raton	145	6,933,270	0	4.3%	-2,052	0	0	\$13.08	\$14.52	\$13.09
Jupiter	43	2,941,975	50,467	4.2%	-9,788	220,000	0	\$0.00	\$11.75	\$11.76
Delray Beach	65	2,059,338	124,360	1.2%	-12,751	0	0	\$0.00	\$18.75	\$11.79
Boynton Beach	78	3,645,883	47,626	6.0%	409	0	56,160	\$0.00	\$12.97	\$7.86
Lake Worth	52	1,967,562	0	7.6%	-4,500	0	0	\$0.00	\$11.39	\$8.38
Riviera Beach	200	8,995,384	266,893	1.8%	-14,942	0	0	\$8.33	\$9.25	\$8.46
West Palm Beach	275	15,590,542	999,896	2.9%	-88,086	290,253	77,870	\$0.00	\$12.89	\$9.04
PALM BEACH TOTALS	858	42,133,954	1,489,242	3.4%	-131,710	510,253	134,030	\$10.40	\$13.32	\$9.23

*Rental rates reflect asking \$psf/year

FLEX = Flex Space MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

	TOTAL BLDGS	INVENTORY (SF)	INVESTOR SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD LEASING ACTIVITY (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL AVERAGE ASKING RENT	DIRECT AVERAGE ASKING RENT
Warehouse/Distribution	569	28,198,946	1,156,045	3.7%	-98,369	510,253	450,337	134,030	\$9.23	\$9.32
Manufacturing	128	7,337,368	265,471	1.1%	-30,875	0	92,576	0	\$10.40	\$10.40
Office Service/Flex	161	6,597,640	67,726	5.0%	-2,466	0	237,724	0	\$13.32	\$13.32

**Leasing activity includes only new and expansion leases and does not include Renewals

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
6717 Belvedere Road	161,725	SIW Solutions	New	West Palm Beach
1590-1600 Florida Mago Road	46,400	Walmart	New	West Palm Beach
1800-1803 Madrid Avenue	38,000	Wing Inflatables	New	Boca Raton

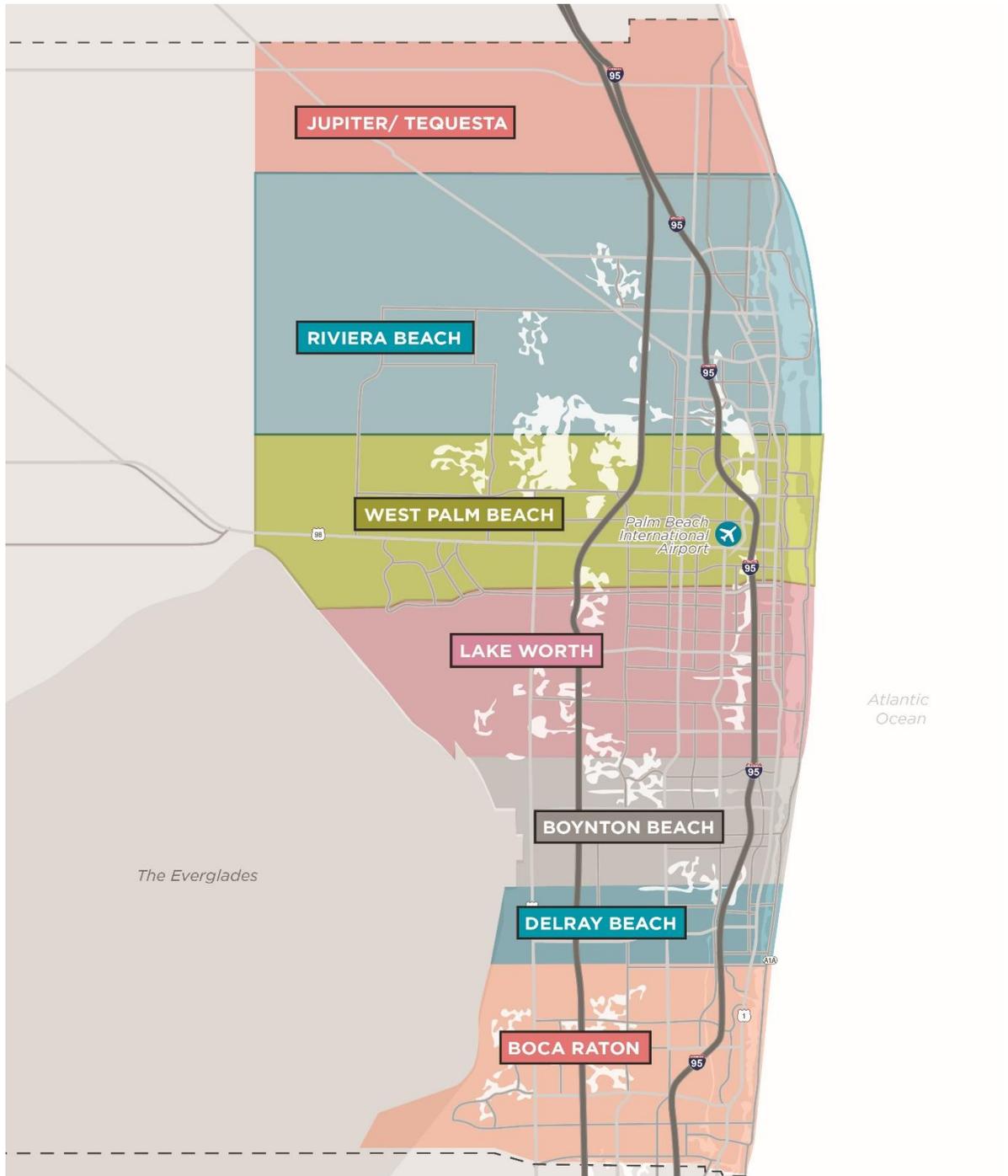
Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1601 Hill Avenue	220,625	Barbara Gaeta/Alliance Partners HSP	\$8,700,000/\$39	West Palm Beach
860 Jupiter Park Drive	20,100	George Magnifico/Stephanie Brennan	\$3,150,000/\$157	Jupiter

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